## **KOEHLER TOWNSHIP CHEBOYGAN COUNTY, MICHIGAN**

**Financial Statements** For the Year Ended March 31, 2005

**Prepared By:**Richard E. Mahlmeister, C.P.A., P.C. 580 S. Nicolet, P.O.Box 996 Mackinaw City, MI 49701

# Michigan Deptartment of Treasury 496 (2-04) Auditing Procedures Report

Local Gove	rnment Type			Village [	Other	Local Governme			County Che	boygan
Audit Date 3/31/05				Opinion Date 7/13/05	te		Date Accountant Report Subs 7/21/05	nitted to State:		
accordance	ce with th	ie S	tateme	ents of the	e Governi	mental Accou	povernment and rendere inting Standards Board int in Michigan by the Mi	(GASB) and t	he <i>Uniform</i>	Reporting Format
We affirm	that:									
1. We h	ave comp	lied v	with th	e Bulletin	for the Au	dits of Local U	Inits of Government in M	<i>lichigan</i> as revis	ed.	
2. We a	re certified	d pub	olic acc	countants	registered	to practice in	Michigan.			
We furthe comments			-		sponses h	ave been disc	losed in the financial sta	tements, includ	ing the notes	s, or in the report of
You must	check the	app	icable	box for ea	ach item b	elow.				
Yes	<b>√</b> No	1.	Certa	in compor	nent units/	funds/agencie	s of the local unit are ex	cluded from the	financial sta	atements.
Yes	<b>✓</b> No	2.		e are accu of 1980).	imulated o	deficits in one	or more of this unit's u	inreserved fund	balances/re	etained earnings (P
<b>√</b> Yes	☐ No	3.	There amen		ances of r	non-complianc	ce with the Uniform Acc	counting and B	udgeting Ac	t (P.A. 2 of 1968,
Yes	<b>√</b> No	4.					tions of either an order the Emergency Municip		the Municip	al Finance Act or
Yes	<b>√</b> No	5.		The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).						
Yes	✓ No	6.	The k	ocal unit h	as been d	elinquent in di	stributing tax revenues t	hat were collect	ed for anoth	er taxing unit.
Yes	<b>√</b> No	7.	pensi	The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).						
Yes	<b>✓</b> No	8.		ocal unit .129.241).		it cards and	has not adopted an ap	plicable policy	as required	by P.A. 266 of 19
Yes	✓ No	9.	The lo	ocal unit h	as not add	opted an inves	tment policy as required	by P.A. 196 of	1997 (MCL <sup>-</sup>	129.95).
We have	enclosed	l the	follov	ving:				Enclosed	To Be	
The letter	of comm	ents	and re	ecommend	dations.			✓		
Reports o	on individu	al fe	deral f	financial a	ssistance	programs (pro	gram audits).			✓
Single Au	ıdit Report	ls (A	SLGU	).						✓
	blic Account			ne)	: A					
Street Addr	ess			.,P.O.,\$		M	City Mackinaw	City	State MI	ZIP 49701
Accountant				Tul-		//!/		<del>-</del>	Date	1

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Member: American Institute of Certified Public Accountants Michigan Association of Certified Public Accountants

#### **INDEPENDENT AUDITORS' REPORT**

July 13, 2005

Township Board Koehler Township Cheboygan County, Michigan

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of *Koehler Township*, *Cheboygan County*, *Michigan*, as of and for the year ended March 31, 2005, which collectively comprise the Township's basis financial statements, as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of *Koehler Township*, as of March 31, 2005, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as of April 1, 2004.

The management's discussion and analysis and budgetary comparison information on pages 1
through 3 and 21 through 26, are not a required part of the financial statements but are
supplementary information required by accounting principles generally accepted in the United
States of America. I have applied certain limited procedures, which consisted principally of
inquiries of management regarding the methods of measurement and presentation of the
supplementary information. However, I did not audit the information and express no opinion on
it. 1/ ( In A / ///)
$\mathcal{A}_{i}$
Miller C.
Richard E. Mahlmeister, C.P.A.

#### MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2005. Please read it in conjunction with the financial statements, which immediately follow this section.

#### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

#### **FINANCIAL HIGHLIGHTS**

Assets at March 31, 2005 totaled \$290,007 for governmental activities. Of the total, \$32,094 represent capital assets, net of depreciation.

Revenues derived from governmental activities were \$212,832 (\$14,600 from program revenues and \$198,232 from general revenues). Overall expenses for the Township's governmental activities were \$220,492.

The Township has no outstanding debt. The township purchased capital assets in the approximate amount of \$6,094 during the fiscal year. Capital asset and debt activity is addressed further in a subsequent section of this letter.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: 1) management's discussion and analysis; 2) the basic financial statements; and 3) required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities and/or business-type activities. There were no business-type activities for the fiscal year March 31, 2005.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

#### MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

#### GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Township as a whole, using accounting methods used by private companies. The Statement of Net Assets includes all of the Township's assets and liabilities. The Statement of Activities records all of the current year's revenues and expenses, regardless of when received or paid.

The two Government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities. This is one method to measure our financial health or position.

Over time, increases or decreases in the Township's net assets are an indicator of whether financial position is improving or deteriorating.

To assess the overall health of the Township, you may also consider additional factors such as tax base changes, facility conditions, and personal changes.

Most of the activities of the Township are reported as governmental activities. These would include the operations recorded in the General Fund.

#### **FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds, not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. They may also be created by the township board. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Township has the following types of funds:

#### **Governmental Funds**

Most of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

The Township maintains three individual governmental funds; General Fund, Liquor Fund and Fire Fund; all which we consider major funds. The Township funds are financed primarily by both property tax revenue and state shared revenues.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

#### **Fiduciary Funds**

The Township acts as a trustee or fiduciary and is responsible for insuring that the assets of these activities are collected and disbursed to the respective entities to which the funds belong. The Township maintains these funds and is responsible for insuring that the assets of these activities are spent for their intended purpose and at the direction of those individuals/organizations to whom the funds belongs. These activities do not appear in the Township's government-wide financial statements since the assets do not belong to the Township. The Township maintains a Tax Collection Fund in this category.

#### FUND ANALYSIS OF THE TOWNSHIP AS A WHOLE

#### **Net Assets**

The Township's governmental activities net assets decreased approximately \$7,660 during the year, to total \$287,636.

#### FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

#### **Governmental Activities**

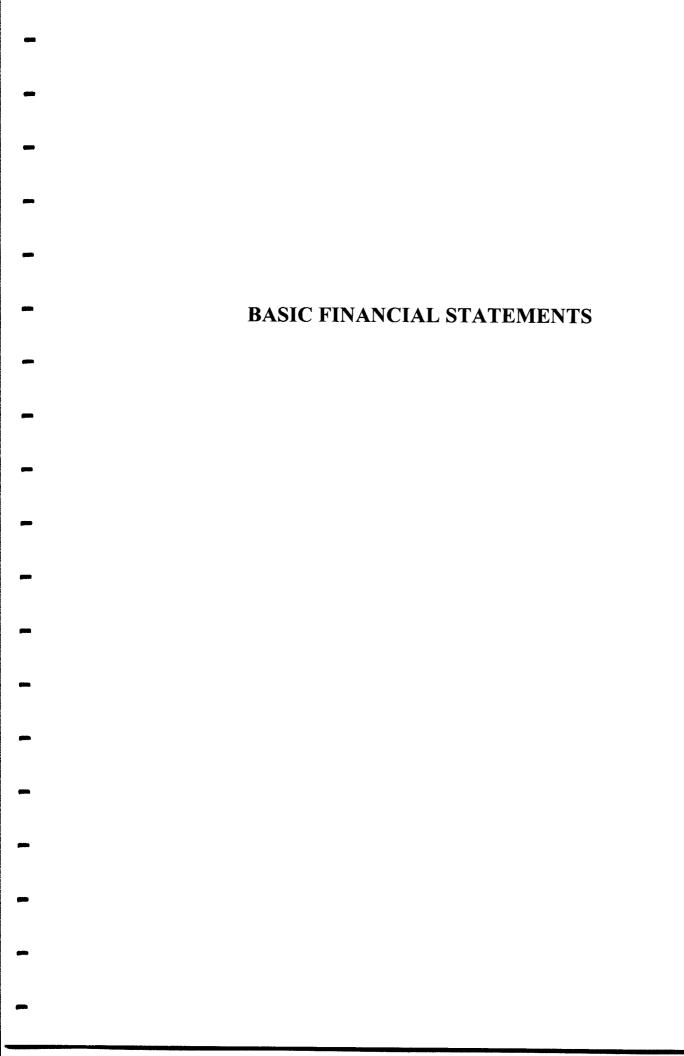
The General, Liquor and Fire activities remained consistent, and the Township continued to provide the same services to its residents: administrative, assessing, elections, township hall maintenance, road maintenance, tax collection, street lighting and fire protection. Major road activity consisted of improvements to Hackleburg Road.

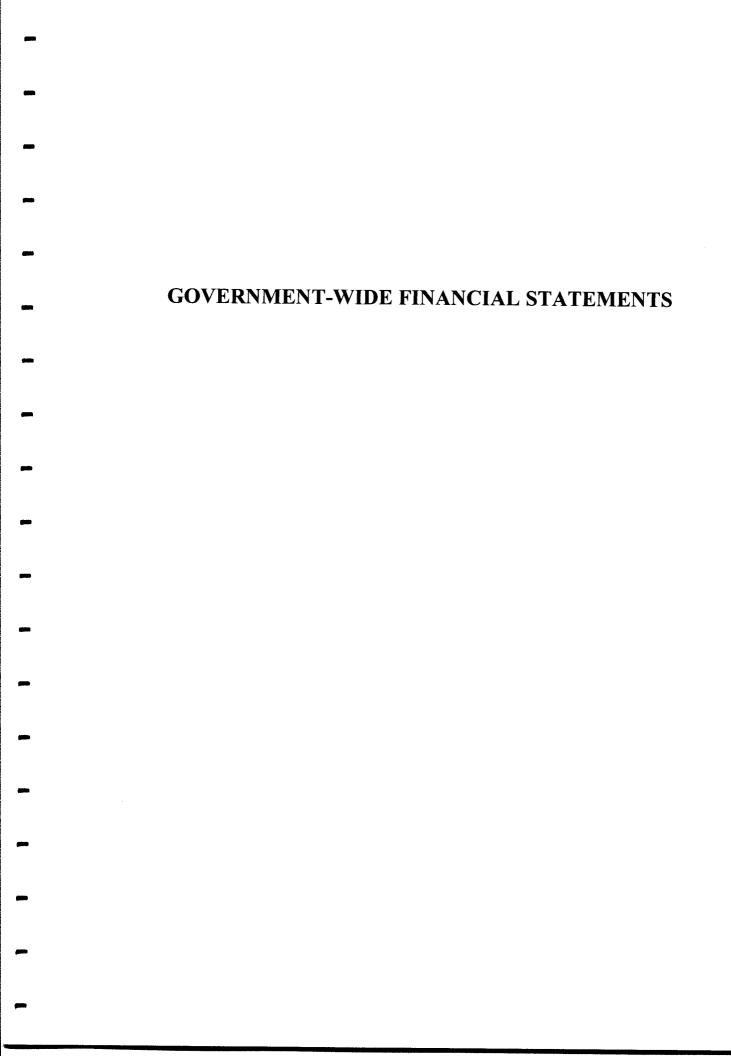
#### **Capital Asset Administration**

At March 31, 2005, the Township had \$71,035 in capital assets, including the town hall, land, computers and other office equipment.

#### CONTACTING TOWNSHIP MANAGEMENT

This financial report is designed to provide our citizens, creditors, investors, and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for revenues it receives. If you have any questions concerning this report, or need additional information, please contact the Township Clerk at 231.238.8522 (Koehler Township Hall).





## KOEHLER TOWNSHIP STATEMENT OF NET ASSETS MARCH 31, 2005

	PRIMARY GOVERNMENT
ASSETS	GOVERNMENTAL ACTIVITIES
Cash and cash equivalents	\$195,572
Investments	51,454
Taxes receivable	10,887
Capital assets	71,035
Accumulated depreciation	(38,941)
TOTAL ASSETS	\$290,007
LIABILITIES AND NET ASSETS	
LIABILITIES:	
Accounts payable	\$2,371
NET ASSETS:	
Invested in capital assets	32,094
Unrestricted	255,542
TOTAL NET ASSETS	287,636
TOTAL LIABILITIES	
TOTAL LIABILITIES	

## KOEHLER TOWNSHIP STATEMENT OF ACTIVITIES FOR THE YEAR ENDED MARCH 31, 2005

	_		Program Revenues			
		Charges for	Operating Grants and			
Functions/Programs	Expenses	Services	Grants and Contributions			
Dulina anna a a a a a a a			7.00			
Primary government Governmental activities						
General government	<b>\$90.920</b>	014 (00				
Public safety	\$89,838	\$14,600	\$			
Public works	44,085	-				
I done works	86,569	•				
Total governmental activities	220,492	14,600				
	General Revenues					
	Property taxes					
	State-shared revenues					
	Unrestricted interest income					
	O	Other				
	То	tal general revenues				
	Change in net assets					
	Ne	t assets, beginning of year	r			
	Ne	t assets, end of year				

•		Revenue and Changes in Net Assets Primary Government
Capital Grants and Contributions		TOTAL
• \$	_	(\$75,238)
•	_	(44,085)
	-	(86,569)
	-	(205,892)
		102,398
1		90,310
		3,274 2,250
,		198,232
1	-1400-	(7,660)
	We have a	295,296
•		\$287,636

Net (Expense)

FUND FINANCIAL STATEMENTS

#### KOEHLER TOWNSHIP BALANCE SHEET - GOVERNMENTAL FUNDS MARCH 31, 2005

ASSETS	GENERAL	LIQUOR FUND	FIRE FUND	TOTAL GOVERNMENTAL FUNDS
Cash and cash equivalents	\$194,808	\$764	\$ -	\$195,572
Investments	51,454	-		51,454
Taxes receivable	5,994		4,893	10,887
TOTAL ASSETS	\$252,256	\$764	\$4,893	\$257,913
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$2,371		<b>\$</b> -	\$2,371
FUND BALANCES				
Unreserved:				
Designated for subsequent years' expenditures	4,140	375	-	4,515
Unreserved, undesignated	245,745	389	4,893	251,027
TOTAL FUND BALANCES	249,885	764	4,893	255,542
TOTAL LIABILITIES				
AND FUND BALANCES	\$252,256	\$764	\$4,893	\$257,913

The accompanying notes are an integral part of these financial statements.

#### KOEHLER TOWNSHIP BALANCE SHEET - GOVERNMENTAL FUNDS MARCH 31, 2005

Reconciliation of fund balances on the balance sheets for governmental activities to the statement of net assets

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS

\$255,542

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Add: capital assets

Subtract: accumulated depreciation

71,035
Subtract: accumulated depreciation

\$287,636

NET ASSETS OF GOVERNMENTAL ACTIVITIES

#### KOEHLER TOWNSHIP STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED MARCH 31, 2005

. –	GENERAL FUND	LIQUOR FUND	FIRE FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
Taxes	\$58,668	<b>\$</b> -	\$43,730	\$102,398
State shared revenues	90,035	275	-	90,310
Charges for services - sales	14,600	-	-	14,600
Interest	3,274	-	_	3,274
Other	2,250			2,250
TOTAL REVENUES	168,827	275	43,730	212,832
EXPENDITURES				
Current:				
Legislative	30,618	-	-	30,618
General government	61,143	-	-	61,143
Public safety	-	263	43,822	44,085
Public works	86,569	-	-	86,569
Other functions	2,421	-	_	2,421
TOTAL EXPENDITURES	180,751	263	43,822	224,836
REVENUES OVER (UNDER) EXPENDITURES	(11,924)	12	(92)	(12,004)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	2,745	2,745
Operating transfers (out)	(2,745)	_	_	(2,745)
TOTAL OTHER FINANCING SOURCES (USES)	(2,745)		2,745	-
REVENUES AND OTHER SOURCES OVER (UNDER)				
EXPENDITURES AND OTHER SOURCES	(14,669)	12	2,653	(12,004)
FUND BALANCES, BEGINNING OF YEAR	264,554	`752	2,240	267,546
FUND BALANCES, END OF YEAR	\$249,885	\$764	\$4,893	\$255,542

The accompanying notes are an integral part of these financial statements.

## KOEHLER TOWNSHIP STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED MARCH 31, 2005

	Reconciliation of statement of revenues, expenditures and changes in fund balances of governmental funds to statement of activities	
-	NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	(\$12,004)
-	Amounts reported for governmental activities in the statement of activities are different because:	
_	Governmental funds report capital outlays as expenditures. However, those costs are allocated over their useful lives as annual depreciation expense in the statement of activities.	
-	Add: capital outlay capitalized during the current year Subtract: depreciation expense	6,094 (1,750)
-	CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	(\$7,660)

## KOEHLER TOWNSHIP STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUND MARCH 31, 2005

		ASSETS	
	Cash		
-	Due to other funds	LIABILITIES	
-	Due to other funds	NET ASSETS	
	Fiduciary Net Assets		<u> </u>

## KOEHLER TOWNSHIP STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUND YEAR ENDED MARCH 31, 2005

\$1,180,508
1,180,508
-
¢

## NOTES TO FINANCIAL STATEMENTS

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Koehler Township, Michigan conform to generally accepted accounting principles as applicable to governments. The following is a summary of the most significant policies.

On April 1, 2004, Koehler Township adopted the new governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments, and Statement No. 38, Certain Financial Statement Note Disclosures. Under the provisions of GASB Statements Nos. 34 and 38, the focus of the Township's financial statements has shifted from a fund focus to a government-wide focus.

#### THE REPORTING ENTITY

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14, "The Financial Reporting Entity", the financial statements of the reporting entity include those of the Township and any component units. The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's general purpose financial report is the exercise of oversight responsibility over such agencies by the governmental unit's elected officials. The manifestations of such oversight responsibility are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The Township has determined that no entities should be consolidated into its general purpose financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only.

## GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

#### Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

(Continued)

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## Government-Wide Financial Statements (Continued)

The statement of activities demonstrates the degree to which direct expenses of a given function or segment offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use. Or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues are reported instead as general revenue.

#### Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Major funds are generally those that represent 10% or more of the respective fund type assets, liabilities, revenues or expenditures. The township considers all funds to be major funds.

## MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## FUND TYPES AND MAJOR FUNDS

#### Governmental Funds

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. Financing is provided primarily by property taxes and state shared revenues.

<u>Liquor Fund</u> - The Liquor Fund represents the liquor law services provided by the township which are financed by state shared revenues.

<u>Fire Fund</u> - The Fire Fund is used to account for expenditures related to the township provided fire service contracted with an outside non-profit fore department. Financing is provided primarily by property taxes.

#### Fiduciary Funds

<u>Trust and Agency Fund</u> - The Tax Collection Fund is used to account for property taxes collected for the township and as an agent for other governmental units. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

#### **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of demand deposits, cash in savings and money market accounts.

#### **INVESTMENTS**

Investments are stated at cost, which approximates market, and consist of certificates of deposit with maturity values of three months or longer.

#### INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. All receivables are reported at their gross values.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **CAPITAL ASSETS**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). Capital assets are defined by the government as assets with an initial individual cost of \$100 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Expenditures for maintenance and repair are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and improvements 15 - 50 years Equipment 5 - 10 years

#### LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources. Issuance costs are reported as debt service expenditures. The township has no long-term obligations as of March 31, 2005.

#### **FUND EQUITY**

Reserved fund balances for governmental funds indicate that a portion of fund equity which has been legally segregated for specific purposes and/or does not constitute current available spendable resources. Designated fund balance indicates that a portion of fund equity for which the Township has made tentative plans. Undesignated fund balance indicates that portion of fund equity, which is available for budgeting in future periods.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **COMPENSATED ABSENCES**

There is no accumulated vacation or sick leave to be recognized.

## **BUDGETS AND BUDGETARY ACCOUNTING**

Budgets are adopted by the Township officials for the General and Special Revenue Funds. The Township follows the following procedures in establishing the budgetary data reflected in the financial statements:

- 1. Prior to the beginning of the fiscal year, the Township Clerk submits to the Township Board a proposed operating budget for the fiscal year commencing on April 1.
- 2. Public hearings are conducted to obtain taxpayer comments.
- 3. Prior to March 31, the budget is legally enacted through passage of a resolution.
- 4. Budgeted amounts are as originally adopted, or as amended by the Township Board.

The Township Board's budgetary procedures are in compliance with P.A 621 of 1978 (The Uniform Budgeting Act).

## NOTE 2: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the governmental funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted to the activity level.

During the year ended March 31, 2005, the Township incurred expenditures which exceeded the amount appropriated as follows:

<b>Fund</b>	<b>Appropriations</b>	<b>Expenditures</b>	<b>Variance</b>
GENERAL Township Board SPECIAL REVENUE	\$30,500	\$30,618	\$ 118
Fire Protection: Public Safety	\$23,000 - 16 -	\$43,822	\$20,822

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## NOTE 3: PROPERTY TAX

Property tax revenues for the year ended March 31, 2005, reflected in the accompanying financial statements include property taxes levied December 31, 2004. These taxes are due by February 15, 2005, and are added to the County tax rolls after February 28, 2005. The Township will receive 100% payment for the delinquent Township tax by June, 2005.

The taxable value of the Township totaled \$49,272,841, on which ad valorem taxes consisted of .8449 mills for the Township's operating purposes and .8895 mills for fire services, raising \$41,519 for operating purposes and \$43,730 for fire services.

## NOTE 4: CASH AND CASH EQUIVALENTS

The caption on the combined balance sheet relating to cash and cash equivalents and investments of \$247,026 represents deposits in two financial institutions located in Cheboygan County, Michigan in varying amounts, as follows:

Cash and cash equivalents	\$195,572
Investments	51,454
	\$2.47.026
	\$247,026

The general checking account of the Township is in a common bank account. The equity of each fund in the common account is as follows:

General Fund	\$194,803
Special Revenue – Liquor	764
Special Revenue – Fire	-
	\$195,567

At year-end the carrying amount of the Township's deposits were classified as to risk as follows:

	Carrying Amount	Bank Balance
Insured (FDIC) Uninsured – uncollateralized	\$153,456 93,570	\$155,211 93,570
	\$247,026	\$248,781

(Continued)

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## NOTE 4: CASH AND CASH EQUIVALENTS (CONTINUED)

All accounts are in the name of the Township and a specific fund. They are recorded in Township records at cost. Interest is recorded when deposits mature or is credited to the applicable account.

## **Statutory Authority**

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United states, or any agency or instrumentality of the United States government or Federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

## NOTE 5: INTERFUND BALANCES AND TRANSFERS

The composition of interfund transfers for the year ended March 31, 2005 are as follows:

Fund	Transfer Out	Transfer In	
General Special revenue – Fire Fund	\$2,745	\$ - 2,745	
Total	\$2,745	\$2,745	

There were no interfund receivables or payables during the fiscal year.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## NOTE 6: CAPITAL ASSETS

Capital asset activity of the governmental activities for the current year was as follows:

	Balance April 1, 2004	Additions	Deletions	Balance March 31, 2005
Not being depreciated:				
Land	\$ 6,000	\$ -	\$ -	\$ 6,000
Being Depreciated:				4 0,000
Building	16,000	-	-	16,000
Building additions and Improvements	42,941	-	-	42,941
Office equipment		6,094		6,094
Subtotal	64,941	6,094	-	71,035
Less accumulated depreciation	(27.101)	(1.550)		
depreciation	(37,191)	(1,750)		(38,941)
Total	\$27,750	\$4,344	<u> </u>	\$32,094

Depreciation was charged to the Township's functions as follows:

General government

\$1,750

#### NOTE 7: PENSION PLAN

The Township provides pension benefits through a defined contribution plan covering to all board members which is administered by the Manulife Insurance Company. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Township Board, the Township contributes 20% of employees' gross earnings. In accordance with these requirements, the Township contributed \$7,857 for the year ended March 31, 2005, fees and other charges were \$326.

#### NOTE 8: RISK MANAGEMENT

Koehler Township participates in the Michigan Municipal Liability and Property Pool for general liability, property loss, professional, public official errors and omissions liabilities. This plan is a self-insurance risk association operating within the State of Michigan pursuant to Act 138, Michigan Public Acts of 1982. This plan, through its risk manager, secures insurance policies or reinsurance treaties to cover the risks undertaken on behalf of Koehler Township.

(Continued)

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## NOTE 8: RISK MANAGEMENT (CONTINUED)

Koehler Township pays an annual premium to the Michigan Municipal Liability and Property Pool for its general insurance coverage and has no additional liability beyond the premiums made to this plan and the \$1,000 deductible amounts.

The plan has a maximum liability for property of \$94,460, general liability of \$1,000,000, personal injury liability of \$1,000,000, public officials liability of \$1,000,000, employee benefit liability of \$1,000,000, automobile liability of \$1,000,000, crime of \$100,000 and bonding for public officials errors and omissions. Additionally, Koehler Township has purchased commercial insurance for workman's compensation benefits.

Claims for commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

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•	SUPPLEMENTARY INFORMATION
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•	

# KOEHLER TOWNSHIP GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED MARCH 31, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
TAXES				
Property tax	\$47,000	\$47,000	\$41,519	(OF 401)
Collection fees	13,000	13,000	17,149	(\$5,481) 4,149
TOTAL TAXES	60,000	60,000	58,668	(1,332)
STATE SHARED REVENUES				-
State land tax and commercial forest	10,000	10,000	0.220	(/==)
State shared revenues	75,000	75,000	9,328 80,707	(672) 5,707
TOTAL STATE SHARED REVENUES	85,000	85,000	90,035	5,035
CHARGES FOR SERVICES - SALES				
Cemetery lots and vault rent	229	229	-	(229)
Sanitation - landfill fees	19,000	19,000	14,600	(4,400)
TOTAL CHARGES FOR SERVICE	19,229	19,229	14,600	(4,629)
INTEREST INCOME	4,400	4,400	3,274	(1,126)
OTHER INCOME	771	771	2,250	
TOTAL REVENUES				1,479
- CARLEST ENUES	\$169,400	\$169,400	\$168,827	(\$573)

# KOEHLER TOWNSHIP GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES FUND BALANCE - BUDGET AND ACTUAL (CONTINUED) FOR THE YEAR ENDED MARCH 31, 2005

-		ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
	LEGISLATIVE				
	Township Board:				
-	Salaries	\$8,000	<b>#0.000</b>		
	Board of Review	900	\$8,000	\$7,814	\$186
	Fringe benefits	8,800	900	902	(2)
	Data processing	,	8,800	8,880	(80)
-	Dues and subscriptions	2,000	2,000	3,169	(1,169)
	Printing and publishing	1,000	1,000	939	61
	Bank charges	500 100	500	296	204
_	Transportation		100	-	100
***************************************	Education and training	300	300	269	31
	Professional fees	600	600	956	(356)
	Capital outlay	5,000	5,000	1,299	3,701
	Capital Vallay	3,000	3,300	6,094	(2,794)
	TOTAL LEGISLATIVE	30,200	30,500	30,618	(118)
_					
	GENERAL GOVERNMENT				
	Township Supervisor:				
	Salaries	10,000	10,000	10,075	(75)
	Deputy Supervisor	275	275	275	-
	Fringe benefits	900	900	841	59
	Office supplies	100	100	_	100
	Postage	100	100		100
	Transportation	600	600	189	411
	Education and training	800	800	267	533
_	Total Supervisor	12,775	12,775	11,647	1,128
					1,120
	Elections:				
-	Salaries	2,500	2,500	1,420	1,080
	Fringe benefits	100	100	12	88
	Supplies	100	100	544	(444)
	Repairs and maintenance	200	200	560	(360)
	Transportation	50	50	15	35
	Meals	200	200	64	136
	Total Elections	3,150	3,150	2,615	
_			5,150	4,015	535

#### **KOEHLER TOWNSHIP** GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED MARCH 31, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
GENERAL GOVERNMENT: (Cont'd)				
Assessor:				
Contracted services	\$14,000	\$14,000	00 (==	
Office supplies	2,000	2,000	\$9,675	\$4,32
••		2,000	420	1,580
Total Assessor	16,000	16,000	10,095	5,905
Clerk:				
Salaries	10,000	10,000	9,784	216
Deputy Clerk	275	275	275	210
Fringe benefits	900	900	799	101
Office supplies	200	200	53	147
Postage	200	200	197	3
Transportation	100	100	80	20
Education and training	800	800	214	586
Total Clerk	12,475	12,475	11,402	1,073
Treasurer:				
Salaries	13,000	13,000	12,400	600
Deputy Treasurer	275	275	275	-
Fringe benefits	1,000	1,000	975	25
Office supplies	865	865	162	703
Postage	800	800	487	313
Transportation	500	500	641	(141)
Education and training	800	800	607	193
otal Treasurer	17,240	17,240	15,547	1,693
Cemetery :				
Contracted service	400	400	400	
Supplies	1,000	1,000	737	263
Repairs and maintenance	7,000	7,000	2,502	4,498
otal Cemetery	8,400	8,400	3,639	4,761

#### KOEHLER TOWNSHIP GENERAL FUND

#### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES FUND BALANCE - BUDGET AND ACTUAL (CONTINUED) FOR THE YEAR ENDED MARCH 31, 2005

_		ORIGINAL BUDGET	FINAL BUDGET	ACTIVALY	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE
	GENERAL GOVERNMENT: (Cont'd)	BUDGET	BUDGET	ACTUAL	(NEGATIVE)
	Township Hall:				
	Supplies	\$1,200	\$1,200	\$57	61 142
	Utilities	2,500	2,500	2,542	\$1,143
	Telephone	400	400	1,374	(42)
	Repairs and maintenance	9,800	9,800	2,047	(974)
-	Other	100	100	178	7,753 (78)
					(18)
	Total Township Hall	14,000	14,000	6,198	7,802
_	TOTAL GENERAL GOVERNMENT	84,040	84,040	61,143	22,897
	PUBLIC WORKS				
_	Streets and highways:				
	Contracted services	50,000	70,000	61,940	8,060
	Street Lighting	500	500	380	120
	Sanitation:				
	Salaries	6,700	6,700	£ 0.40	=
	Fringe benefits	500	500	5,940 446	760
-	Supplies	800	800	997	54
	Contracted services	20,000	20,000	16,386	(197)
	Repairs and maintenance	1,000	1,000	480	3,614 520
_	Total Sanitation	29,000	29,000	24,249	4,751
	TOTAL PUBLIC WORKS	79,500	99,500	86,569	12,931
_	OTHER DEVICES ON A STATE OF THE				
	OTHER FUNCTIONS				
	Insurance and bonds	3,000	3,000	2,221	779
	Contracted service - Humane Society	200	200	200	
•	TOTAL OTHER FUNCTIONS	3,200	3,200	2,421	779
_	TOTAL EXPENDITURES	196,940	217,240	180,751	36,489
	REVENUES OVER (UNDER) EXPENDITURES	(27,540)	(47,840)	(11,924)	35,916
	OTHER FINANCING USES				
-	Operating transfers to other funds	(20,000)	(20,000)	(2,745)	17,255
				(2,7,10)	17,233
-	REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER SOURCES	(47,540)	(67,840)	(14,669)	53,171
	FUND BALANCES, BEGINNING OF YEAR	264,554	264,554		
		20,,001	#UT,334	264,554	
-	FUND BALANCES, END OF YEAR	\$217,014	\$196,714	\$249,885	\$53,171

#### KOEHLER TOWNSHIP LIQUOR FUND

#### SCHEDULE OF REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED MARCH 31, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	<b>s</b> -	\$ -	<b>\$</b> -	<b>s</b> .
State shared revenues	275	275	275	
TOTAL REVENUES	275	275	275	•
EXPENDITURES:				
Public safety	650	650	263	387
TOTAL EXPENDITURES	650	650	263	387
REVENUES OVER (UNDER) EXPENDITURES	(375)	(375)	12	387
OTHER FINANCING SOURCES				
Operating transfers in (out)		•		<u>-</u>
REVENUES AND OTHER SOURCES OVER				
EXPENDITURES AND OTHER SOURCES	(375)	(375)	12	387
FUND BALANCES, BEGINNING OF YEAR	752	752	752	
FUND BALANCES, END OF YEAR	\$377	\$377	\$764	\$387

#### FIRE FUND

#### SCHEDULE OF REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED MARCH 31, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)	
REVENUES:				-	
Taxes	\$43,000	\$43,000	\$43,730	\$730	
State shared revenues	-		-	-	
TOTAL REVENUES	43,000	43,000	43,730	730	
EXPENDITURES:					
Public safety	23,000	23,000	43,822	(20,822)	
TOTAL EXPENDITURES	23,000	23,000	43,822	(20,822)	
REVENUES OVER (UNDER) EXPENDITURES	20,000	20,000	(92)	(20,092)	
OTHER FINANCING SOURCES					
Operating transfers in (out)	20,000	20,000	2,745	(17,255)	
REVENUES AND OTHER SOURCES OVER					
EXPENDITURES AND OTHER SOURCES	40,000	40,000	2,653	(37,347)	
FUND BALANCES, BEGINNING OF YEAR	2,240	2,240	2,240	<del>-</del>	
FUND BALANCES, END OF YEAR	\$42,240	\$42,240	\$4,893	(\$37,347)	

## KOEHLER TOWNSHIP STATEMENT OF CHANGES IN ASSETS AND LIABILITIES TRUST AND AGENCY FUND - TAX COLLECTION FUND FOR THE YEAR ENDED MARCH 31, 2005

	BALANCE APRIL 1, 2004		ADDITIONS	DELETIONS	BALANCE MARCH 31, 2005
ASSETS:					
Cash	\$		\$1,275,976	\$1,275,976	<b>\$</b>
LIABILITIES:	e.		<b>COE 4/0</b>	005.460	
Due to other funds	\$	-	\$95,468	\$95,468	\$
Due to state		-	277,952	277,952	
Due to county		-	248,282	248,282	
Due to schools		<b></b>	654,274	654,274	- 744
	\$	_	\$1,275,976	\$1,275,976	\$



Member: American Institute of Certified Public Accountants Michigan Association of Certified Public Accountants

July 13, 2005

Township Board Koehler Township Cheboygan County, Michigan

In planning and performing my audit of the general purpose financial statements of *Koehler Township*, *Cheboygan County*, *Michigan*, for the year ended March 31, 2005, I considered the Township's internal control structure to plan my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure.

However, during my audit I noted certain matters involving the internal control structure and other operational matters, presented for your consideration, that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters. This letter does not affect my report dated July 13, 2005 on the financial statements of the *Koehler Township*.

Thank you for the opportunity to serve *Koehler Township*. I appreciate the assistance I received from both the Treasurer and Clerk. Best wishes in the next year.

Sincerely

Richard E. Mahlmeister, C.P.A.

#### REPORTABLE CONDITION

Reportable conditions involve matters coming to my intention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgement, could adversely affect *Koehler Township's* ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The reportable condition that exists is that there is a lack of segregation of duties in both the receipting and disbursement function of the Township. This condition is generally inherent in organizations the size of *Koehler Township*, where corrective action is not practical, and is not considered to be a material weakness.

#### **PUBLIC ACT VIOLATIONS**

## **Excess of Expenditures over Appropriations**

Public Act 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended March 31, 2005, the Township incurred expenditures in certain budgetary funds, which exceed the amount appropriated, as shown in the body of the financial statements.

I suggest that the Township Board on a periodic basis, review appropriations as compared to actual expenditures and amend the budget as necessary, prior to making expenditures, to avoid incurring expenditures in excess of appropriations.

#### CAPITAL ASSETS

In performing my audit procedures I noted that the township's policy is to include as capital assets items purchased for \$100 or more. The *Government Officer's Finance Association* (GFOA) recommends that assets that have a useful life of at least one-year and a cost of \$5,000 be included as a capital asset.

I recommend that the Township Board review the policy as to which assets should be recorded as a fixed asset. I further would recommend that the Board at least make this threshold, at least, in the range \$1,000 to \$2,000. Adopting a capitalization policy with these minimums would exclude assets of minimal value and would make the record keeping less cumbersome and would create more useful capital asset information.